



CITY OF SAN ANTONIO

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April 07, 2006

City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of the City's Impound Facilities – Vehicle Storage Unit Operations

City Management and the San Antonio Police Department (SAPD) have reviewed the audit report for the City's Impound Facilities – Vehicle Storage Unit (VSU) Operations and herein is a Corrective Action Plan for the recommendations. Having an objective review of this business unit has resulted in better information for Management to develop operating strategies for the future that will improve the facility's financial potential for the City.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
Executive Summary (ES)					
ES1	Realign the VSU operation to a Department other than SAPD (Detailed Report Recommendation 1; Response Page 3)	5			
ES2	Reengineer processes to eliminate duplicate tasks and effectively utilize existing technology (Detailed Report Recommendations 3.4 & 3.5; Response Page 5)	5			
ES3	Enhance the City's image with facility and environmental improvements (Detailed Report Recommendation 2; Response Page 3)	5			

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ES4	<p>Improving the internal control environment by:</p> <ul style="list-style-type: none"> Track receipt and disposition of all vehicles (Detailed Report Recommendation 3.6; Response Page 5) Improve Vehicle Information Management System (VIMS) data and controls (Detailed Report Recommendation 6; Response Page 7) Issue a City policy for reporting potential theft, fraud, or abuse of City assets (Detailed Report Recommendation 3.3; Response Page 4) Comply with City Ordinance procedures for fees, payments, etc. (Various Recommendations) City Council approval for fee adjustments (Detailed Report Recommendation 3.1; Response Page 4) Segregate duties related to fee adjustments (Detailed Report Recommendation 3.1; Response Page 3) Management review of fee adjustments (Detailed Report Recommendation 3.1; Response Page 4) Update procedures and controls for auctioned vehicle cash proceeds (Detailed Report Recommendation 3.4; Response Page 5) Update procedures and accountability for property placed with City Departments or other agencies and destroyed items (Detailed Report Recommendation 3.7; Response Page 5) 	5			
ES5	Reevaluate using civilian personnel for VSU (Detailed Report Recommendation 4; Response Page 6)	5			
ES6	Collect delinquent parking and warrant fees and fines before releasing vehicles (Detailed Report Recommendation 7; Response Page 7)	5			
ES7	Develop a new request for proposal process to operate the VSU (Detailed Report Recommendation 8; Response Page 8)	5			

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Detailed Report					
1.	Profitability and Efficiency Impediments				
	• Establish an Enterprise Fund	18	Decline		
	• Outsource all or part of the operation, including a new RFP, or	18	Accept	Chief of Police	October 2006 (Decision)
	• Consider realigning the entire business operation under a different City Department	18	Decline		
	• Evaluate business processes, application systems and personnel skills	18	Accept	Lt. S. Bell	June 2006
	• Formally re-document management and internal controls	18	Accept	Lt. S. Bell Capt. Biedrzycki	June 2006
Action plan: In response to the Auditors' recommendations, the Department is proposing to solicit the assistance of the Contract Services and Finance Departments. These Departments will be asked to assist the Police Department with internal controls and business processes. A civilian position could be created from an accounting and money manager audit perspective and be assigned to the VSU as civilian oversight for city financial staff under the VSU Commander. With their expertise, the Department can undoubtedly more efficiently manage this enterprise. Currently the Finance Department has assigned personnel, Ms. Lena Ellis, to the VSU task of upgrading and implementing the Auditors' suggestions on money handling and accounting procedures. The Department is proposing to implement as many of the changes as possible and reexamine the possibility of reissuing a new RFP for pound operations.					
2.	Substandard Impound Conditions				
	• Fully implement the recommendations provided by the Environmental Services Department	21	Accept	Lt. S. Bell	April 2006
	• Start construction on an appropriate building	21	Accept	A/C Powers D/C Flammia	April 2006
	• Improve security with an alarm system and adding lighting and gates	21	Accept	Bill Grayson	2007
	• Require Police Officers to wear uniforms	21	Accept	Lt. S Bell	April 2006
Action plan: The Department agrees with the City Auditor's Office. The conditions out there have been historically poor. We need to improve them. However, most all of the infrastructure points raised are already in progress. One of the recommendations was to "start construction of the new building as soon as its' possible and ensure that employees and customers have drinking water, hand washing sinks, and indoor restroom facilities. Also, provide some indoor waiting room space for the public." The audit was submitted on November 18 th . All of these things were already being done prior to the submission of the audit. As of April 2006, Officers assigned to work tasks outdoors, such as inventorying vehicles, relocating vehicles on the grounds, etc., do not wear their uniforms. Officers do wear their uniforms when assigned to tasks for the day that are administrative in nature and conducted indoors. The new building is in the final stages of construction and is tentatively scheduled to be occupied in April of 2006. Recommendations for environmental and security issues to improve the vehicle storage facility has already been submitted for inclusion in the up coming bond issue.					
3.	Management and Internal Control Deficiencies				
	Improve internal controls for cash handling, fee adjustments, impounding processes, reporting activities, VIMS data, and record filing systems.	22	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.)	May 2006

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Action plan: This will be accomplished by updating SOPs and internal controls which is a priority item to be addressed by SAPD. The department will ask the Contract Service Department to assist in this process review. It should be noted that we recently reviewed all our cash control procedures and City staff was furnished with those reports through the Assistant City Manager. These new control measures will be implemented no later than May 2006. The Finance Department has assigned Lena Ellis to assist the VSU with upgrading and implementing the auditor's suggestions so far as all money handling and accounting procedures.					
3.1	Inadequate Management and Internal Controls For Adjusted Charges <ul style="list-style-type: none"> Obtain City Ordinance authority to reduce, waive and /or adjust fees Include adjustments on the Daily Activity Report. Develop standard codes for released vehicle adjustments Create Adjusted Charges Reports that include detail and summary data Timely management review of all VSU monthly reports 				
		26	Accept	Lt. S. Bell	October 2006
		26	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.)	May 2006
		26	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.)	May 2006
		26	Accept	Lt. S. Bell	May 2006
		26	Accept	Capt. Biedrzycki D/C R Flammia	May 2006
Action plan: More improved documentation could be formulated to verify "adjusted charges" followed up by updated SOPs or policy language more easily understood by all city staff. Improved documentation of "adjusted charges" will be implemented by May 2006 by receiving assistance from Finance staff, to create documents and language to make computer accountability possible on an ongoing and current basis.					
3.2	Compliance with Methods of Payment <ul style="list-style-type: none"> Comply with current City Ordinances, or Recommend changes for accepting payments 				
		27	Accept	Lt. S. Bell	April 2006
		27	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.)	May 2006.
Action plan: The Department is looking at credit card transaction possibilities, but has not experienced any problems verifying funds at banks with checks written, but are looking at the Municipal Code on cash only transactions pointed out by the auditor. This will not require Council approval. The use of credit cards for payment transactions will commence with the opening of the new building at Growdon, which is tentatively scheduled for April 2006.					
3.3	SAPD Special Investigation of Cash Controls <ul style="list-style-type: none"> City Manager to issue a City-wide policy directive regarding reporting of potential fraud, theft, or abuse. Finance Department to direct VSU on using armored car transports of daily cash deposits 				
		28	Accept	City Manager's Office	April 2006
		28	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.)	April 2006

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	<ul style="list-style-type: none"> Finance Department to enhance City-wide cash handling Administrative Directives and procedures covering daily reconciliation, cash over and short reporting, and Department Management review <p>Action plan: The special investigation was initiated by Lieutenant Scott Bell the VSU Commander. The special investigation revealed that it was reasonable to believe that no further criminal investigation was warranted. During the investigation, Deputy Chief Flammia requested that the Chief of Police bring in an independent auditor to reconsolidate financial issues. After this request was initiated, the Department was informed that the City Auditor's Office would be conducting an audit of the VSU. Because of this, the independent audit was not performed. The Chief of Police kept the Assistant City Manager updated throughout the investigation and the City Manager's Office was notified. We implemented cash control changes in October of 2004. SAPD is in the process of reinitiating the armored car pick-up service.</p>	28	Accept	Lena Ellis (Fin. Dept.)	June 2006
3.4	Inadequate Cash Controls for Vehicles Auctioned by VSU for Other City Departments				
	<ul style="list-style-type: none"> Revise VSU procedures related to auction proceeds for other City Departments 	29	Accept	Lt. S. Bell	May 2006
	<ul style="list-style-type: none"> Use the ERM/SAP System to credit the proper General Ledger Accounts for the monies collected 	29	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.)	May 2006
	Action plan: As of this month, the VSU has started auctioning and handling all funds that are generated at the VSU and depositing the funds.				
3.5	Inadequate Cash/Internal Controls for Asset Seizure Auction Proceeds				
	<ul style="list-style-type: none"> Revise VSU procedures for handling asset seizure auction proceeds 	30	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.) CTO-ITSD	April 2006
	<ul style="list-style-type: none"> Use the ERM/SAP System to credit the proper General Ledger Accounts for the monies collected 	30	Accept	Lt. S. Bell Lena Ellis (Fin. Dept.) CTO-ITSD	June 2006
	Action plan: The Asset Seizure unit (ASU) will examine the process of determining if adjustments need to be made for the reimbursement of funds to the VSU. In addition to this, the VSU commander will be working with Lena Ellis, of the Finance Department and ITSD to assist with the procedures for the handling of ASU auction proceeds. Currently, ASU and VSU are working together on policies and procedures to correct the handling of ASU auction proceeds. The VSU will deposit, into the proper accounts, the proceeds from all auctions conducted at the facility.				
3.6	Inadequate Accountability for Vehicles/Property Converted to City or Other Agency Use				
	<ul style="list-style-type: none"> Account for (using electronic records) the impound and release of every vehicle/property item 	32	Accept	Lt. S. Bell	May 2006

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	<ul style="list-style-type: none"> Establish policies and procedures for City use of unclaimed vehicle/property items <p>Action plan: All vehicles and property that go through this facility will be properly accounted for with an appropriate audit trail and all policies and procedures will be reviewed towards that goal. Staff and other City staff will initiate and coordinate this recommendation, which will be completed by no later than May 2006.</p>	32	Accept	Lt. S. Bell Capt. Biedrzycki	May 2006
3.7	<p>Inadequate Accountability for Vehicles/Property Issue a City-wide directive to properly account for (using electronic records) and to identify procedures for processing destroyed or recycled vehicles</p> <p>Action plan: Our policies will be reviewed and appropriate changes will be made by June 2006.</p>	33	Accept	City Manager's Office	July 2006
4.	<p>Use Civilian Staff Instead of Police Officers to Reduce Costs Reassign Police Officers to public safety positions and reorganize operations to operate with only civilian personnel, if the VSU is not outsourced</p> <p>Action plan: The Department realizes the implementation of civilianization as it applies to the VSU could be a cost savings measure while at the same time feels that this must be done in conjunction with negotiation of the Collective Bargaining Agreement. In addition, the necessary funds to accomplish the replacement of sworn personnel with security guards and other personnel recommended in the audit report will be a factor the Department will address in the upcoming budget process which shall be finalized October 2006.</p>	35	Accept	Chief of Police	October 2006
5.	<p>Auction Function Performance Issues</p> <ul style="list-style-type: none"> Outsource the auction function, or Contract with a professional auctioneer Improve advertising methods to attract buyers Auction items on/or near the 25th day of impoundment Report to management vehicles held beyond 25 days <p>Action plan: The Department agrees that we should consider outsourcing the auction or contract with a professional auctioneer. The Department has revised the procedures on inventory of vehicles and property on the lot. Another item cited by the auditor is that Kansas City charges the buyer \$7.00 per vehicle and Austin \$25.00 per vehicle for the auction charge. If the City decides to outsource, the Council can determine the charges at that time.</p>	37 37 37 37 37	Accept Accept Accept Accept Accept	Lt. S. Bell Lt. S. Bell Lt. S. Bell Lt. S. Bell Lt. S. Bell	October 2006 October 2006 May 2006 April 2006 April 2006
6.	<p>Reliability of VIMS Data Records</p> <ul style="list-style-type: none"> Review and improve VIMS application controls using acceptable technology standards Evaluate transitioning from VIMS to ERM/SAP 	39 39	Accept Accept	Lena Ellis (Fin. Dept.) CTO/ITSD Lena Ellis (Fin. Dept.) CTO/ITSD	October 2006 October 2006

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	<ul style="list-style-type: none"> Improve procedures for securing controlled forms, reconciliations of activities and financial data, reporting/authorizing VIMS changes and Management oversight <p>Action plan: The Department agrees that VIMS needs to be modernized and updated and that checks and controls are put in place for accountability and audit trails purposes. VSU Staff and Finance will start looking into this immediately and assessing any fiscal needs to accomplish this. The Department will work with the Chief Technology Officer (CTO) and the Information & Technology Services Department (ITSD) to formulate a strategy and timeline.</p>	39	Accept	CTO/ITSD Lt. S. Bell Lena Ellis (Fin. Dept.)	June 2006
7.	<p>Collect for Delinquent Parking Fines/Fees and Check for Outstanding Adjudicated Capias Warrants</p> <ul style="list-style-type: none"> Change the Municipal Code to mandate checking for other unpaid City revenue including outstanding parking citations and warrants before releasing or selling vehicles Integrate City database/systems, or Establish read-only access to VSU staff for the parking fines and warrants databases <p>Action plan: The Department agrees with the City Auditor's Office recommendation that the VIMS System and Municipal Court Data System should be interfaced by ITSD allowing impounded vehicles or auction bidders, showing parking fines or Capias warrants that can be identified and adjudicated on the spot. Had this data been in place and being used, as the auditor stated, \$202,091 could have been added to the General Fund. Pending any funding requirements, this item will be addressed immediately. Sworn VSU personnel will be able to legally arrest in these situations. The Department will work with ITSD to formulate a strategy and timeline.</p>	41	Accept	CTO/ITSD	August 2006
		41	Accept	CTO/ITSD	September 2006
		41	Accept	CTO/ITSD	September 2006
8.	<p>Request For Proposal Process Was Inadequate</p> <ul style="list-style-type: none"> Reject the current RFP responses. Prepare a new, more thorough and broadly, advertised RFP <p>Action plan: The Department agrees with the City Auditor's Office on the recommendation to not pursue the Request for Proposal on operation and maintenance of the Vehicle Storage Unit. The Department, in consultation with the Assistant City Manager who oversees the Department, believes that improvements should be made to the VSU's business practices, operational processes, and physical infrastructure. Many of the City Auditor's Office recommendations will be implemented over time with the goal of improving the overall operations. Any future Request for Proposals will need to include a proper accounting of operational costs and revenues and take into account the capital recovery of both physical improvements and information/data based systems (VIMS/SAP).</p>	42	Accept	Chief of Police	Reject current RFP process April 2006
		42	Accept	Chief of Police	Reject current RFP process April 2006

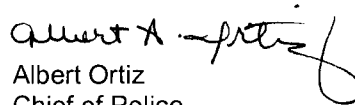
Recommendation					
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	<p>In addition, significant operational changes have taken place since the City began enforcing and towing motorist who do not have proof of motor vehicle insurance. Towing activity has increased, as well as revenue.</p> <p>Staff recommends a status update in six months (October 2006) regarding the Police Department's progress on improvements at the facility. This will allow the new Police Chief an opportunity to review operations and consider future privatization alternatives. If privatization is considered in the future, a new Request for Proposals should be modified to take into consideration the issues identified by the audit and the complete cost recovery of City investments in the operation.</p>				

SAPD appreciates the City Auditor's comments on the VSU Facility Operations. SAPD is committed to address the recommendations in the audit report and the plan of action presented.

Sincerely,



Erik Walsh
Assistant City Manager



Albert Ortiz
Chief of Police